

Good morning Mr. Chairman and my fellow committee members.

I want to thank you for the opportunity to discuss such an important issue, which impacts residents all across our state. Today, we have an opportunity to make history, by finally fulfilling promises to bring real savings to Michigan drivers through no-fault reform.

I've traveled our great state for the last 8 months – I've been in many of your districts – and over and over again I've heard the same concerns: Auto insurance in Michigan is too expensive. And some residents are reaching a breaking point.

Every day I hear from my constituents and constituents from around the state of Michigan about the high cost of auto insurance. Our broken, outdated no-fault insurance system has caused rates to skyrocket to the highest in the nation, and Lansing has failed to make any real changes to our no-fault law since it was enacted in the 1970's. Unfortunately, special interests have blocked reforms for decades because they profit from the status quo.

I have been working with constituents, business groups, stakeholders and my fellow legislators for the better part of this year to create real reforms. Today I am honored to testify on behalf of House Bill 5013 – a bi-partisan piece of legislation that will ensure Michigan drivers get the relief they desperately need.

House Bill 5013 contains a series of common-sense reforms to our no-fault insurance system that will rein in out-of-control costs, crack down on fraud in the system, give drivers a choice, and save individuals and families hundreds – potentially thousands – of dollars annually on their auto insurance.

Michigan is the only state in the nation that requires drivers to purchase unlimited, lifetime medical benefits with their auto insurance. This mandate is the main culprit in Michigan's outrageous auto insurance premiums.

This bi-partisan bill will give Michigan drivers the option to choose the insurance coverage that is right for them and their family. Rather than mandate Michiganders buy expensive unlimited, lifetime medical benefits, they will have the option to

choose between three different coverage levels: **\$250,000 per accident, \$500,000 per accident or exactly what they have now – unlimited coverage per accident.**

Let me be clear – this will not take any benefits away from an individual who is already collecting benefits under our current no-fault system.

For thousands of seniors across our state the mandate to purchase unlimited, lifetime medical benefits through their auto insurance is a second, third, or sometimes even a fourth coverage! **This bill would allow any senior who is 62 years old or older; and who has retirement health care benefits the option to forgo buying any personal injury protection benefits – saving them anywhere from \$600-\$1,000 annually.** Seniors like my Mom – who earned retirement health care benefits from her employer, paid for Medicare, and has a Medicare wrap-around policy – are also mandated by law to purchase a fourth option. An option which will ensure that all of the other health care benefits she worked hard for her entire life earning and paying for – will **NEVER** pay !

It's no secret that Michigan's auto no-fault system has been a cash cow for many health care providers for decades. Multiple studies have proven that auto insurers pay 2 to 3 times more for medical procedures than health insurers pay. The fact that auto insurers are forced to pay significantly more for medical procedures performed by the same doctor, in the same facility, using the same equipment is completely unacceptable!

In May of 2017, the *Detroit Free Press* found numerous examples of medical providers overcharging for services. In one instance, an auto insurer was billed \$5,300 for an MRI that would have cost \$500 under Medicare.

In order to rein in out-of-control medical costs, House Bill 5013 would enact a fee schedule for medical procedures. Emergency care would be set at a rate of 125% of Medicare and non-emergency care would be set as a rate equal to Medicare.

If the Medicare fee schedule does cover a given procedure, product or service the medical provider cannot accept more than the average amount that provider receives as payment in full for that procedure, product or service.

Transportation costs would also be subject to limits at 300% of the IRS mileage rate for regular transportation.

All of us can probably agree that there is no shortage of fraud within our current auto no-fault system. This bill contains fraud measures, which will address fraud committed both by consumers and by insurance companies.

This bill will model family provided attendant care under Michigan's auto no-fault benefits similar to that of family provided attendant care under Michigan's Workman's Compensation benefits. Family members would be limited to 56 hours per week.

I understand that sometimes the best person equipped to care for an individual is a loved one. Under this bill injured persons and their insurance companies would have the ability to negotiate additional family-provided attendant care.

Make no mistake – this bill does not limit an individual to 56 hours of care per week as some claim it would. We understand that there are times when someone needs more than 56 hours of care and under this bill additional care above 56 hours would be provided for if needed.

Back in 1970, one of the original reasons the Michigan Legislature adopted no-fault was to reduce the number of lawsuits in our legal system; however, the number of lawsuits filed by drivers and passengers are now flooding our circuit court system. A *Detroit Free Press* investigation found that 2/3 of our circuit court cases are no fault related.

Although it is illegal in Michigan to solicit people who have been in an auto accident for 30 days, the *Detroit Free Press* found numerous examples of lawsuits being filed within days and even hours of being involved in an accident.

This bill implements legal standards for attorneys to help reduce the number of lawsuits filed and to help **ensure auto accident victims get to keep more of their benefits**. Under this bill an attorney would not be eligible to receive a fee until a

claim is overdue, the insurer has been notified, and the insurer still does not pay. Attorneys would no longer be eligible to receive fees if the attorney or the attorney's relative has a financial interest in the medical provider that provided treatment to a client.

These reforms were brought forward by trial attorneys who could no longer turn a blind eye to these dishonest ownership practices.

For years, certain members of the Legislature have had concerns regarding the Michigan Catastrophic Claims Association. I have listened to those concerns and as a result – under this bill – beginning in 2018 and then every 5 years thereafter, the Department of Insurance and Financial Services must hire an independent actuary to examine the affairs and records of the MCCA; and report its findings to the Legislature.

If the independent actuarial review shows that the MCCA's assets exceed 120% of their liabilities, the surplus must be returned to Michigan drivers via a rebate.

House Bill 5013 also prohibits insurance companies from basing rates on a person's sex or their marital status.

We also codify the Michigan Supreme Court's McCormick decision regarding whether a person has suffered a "serious impairment of body function".

And lastly, the most important part:

Drivers in Michigan pay the highest auto insurance rates in the nation. Our rates are double the national average and three times more than the average rate in Ohio, Wisconsin, Indiana and Illinois. Some suggest if we simply "take Detroit out of the equation than our rates would be equal to the national average". I would argue that is not an apples to apples comparison.

Bottom line – Detroit is a part of Michigan just like L.A. is part of California. You simply cannot take Detroit out of the equation to make the numbers look better

than what they are, much like you can't take Chicago out of Illinois or New York city out of New York.

Throughout the last 8 months, when meeting with key stakeholders to discuss reforms, I made my number one goal clear: Whatever reforms we pass, must - Must result in direct savings to the drivers in Michigan.

Under this bill, for drivers who select the \$250,000 coverage level, insurance companies would be mandated to file rates that reduce the medical portion of premiums by an average of 40%.

If an insurer fails to achieve the 40% rate reduction for the \$250,000 coverage level, they must explain to DIFS why the failure is justified and they must also offer a reduction that is as near as practicable to 40%. If an insurer fails to achieve the 40% rate reduction and their failure is not justified that insurer will not be permitted to sell insurance in Michigan.

I understand that lowering rates for 1 year would only provide Michigan families with temporary relief. Therefore, the mandatory rate reduction under this bill would last for 5 years. After that insurance companies would still have to file actuarially justified rates, in accordance with state law.

In addition, the rate reduction would be calculated against rates as of October 1, 2017 – so insurance companies cannot raise rates in the short-term making it easier for them to achieve the rate reduction.

Now, you are going to hear all kinds of arguments against this bill.

For instance, some may lead you to believe this legislation caps benefits or eliminates benefits for those currently receiving a benefit. You can be certain – this ** bill will NOT take away benefits from an individual who is already collecting benefits and it will NOT cap benefits. In fact, as written, under this bill, unlimited, lifetime medical benefits is the default option, unless they choose otherwise.

Some here are going to claim that drivers do not understand the value of their current benefits and therefore they should be prohibited from having a choice.

It is offensive that some insinuate that the residents of my district and the residents across Michigan cannot make an educated decision. We allow people to choose how much health care coverage they purchase. We allow people to choose how much they insure their life – if any. We allow people to choose how much they insure their home. However, when it comes to medical coverage in relationship to an auto accident they suddenly feel drivers are inept and should not have a choice.

Less than 0.01% of drivers in Michigan will ever need to access catastrophic medical benefits under our state's auto no-fault system; however, we require 100% of them to purchase unlimited, lifetime medical benefits. This is unacceptable. Drivers in Michigan deserve to have a choice.

Some here are going to try and argue that Michigan residents voted against auto no-fault reforms and therefore, they have spoken and the Michigan Legislature should leave no-fault alone.

The last time the residents of Michigan voted on auto no-fault reforms was **in 1992 and 1994 – 25 years ago!** Well 25 years ago the average rate of auto insurance in Michigan was \$716 compared to \$2,394 today – a 234% increase. We have an entire generation of drivers in their 20's and 30's who could not vote in the 1990's and a large portion of which were not even born yet! Baby Boomers who were in their 30's and 40's and voted on those proposals are now retired and are on a fixed income. It is disingenuous to claim that the results of a ballot proposal from 25 years ago stands as a true representation of how residents feel today. In fact – new polls show that 80% of voters support reforming our no-fault auto system.

Some will claim that this will not address fraud in the system.

In reality, this bill creates a robust fraud authority that will address fraud on both sides – and hold both accountable.

Some may even go so far as to say this is just a Detroit problem.

On the contrary. Oakland, Macomb and Kent counties have the fastest rising auto insurance premiums in Michigan. This is not just a Detroit problem – this is a Michigan problem.

I understand that past attempts to reform our no-fault system have fallen short. However, the skyrocketing costs of auto insurance is forcing families to decide if they are going to put food on their tables – or follow the law and pay for their auto insurance.

Twenty-one percent of Michigan drivers drive without auto insurance and over 60% of the drivers in Detroit drive without insurance. Make no mistake about it: If we fail to achieve reforms this number will only continue to rise.

I have traveled all over Michigan: From Alpena to Elk Rapids and Monroe to Brighton. The cost of auto insurance is a burden on the hard working men and women of this state no matter where you are. It's time we lift their burden.